

Pillar 3 Disclosure Report

30 September 2022

Contents

1 Introduction 3

2 Key Metrics 4

3 Leverage Ratio 5

 3.1 Leverage Ratio Summary Comparison Table 5

 3.2 Leverage Ratio Common Disclosure Template 6

4 Overview of RWA 7

5 Credit Risk 8

 5.1 IRBA - RWA Flow Statement for Credit Risk Exposures 8

6 Counterparty Credit Risk (CCR) 8

 6.1 RWA flow statements under CCR internal models method 8

7 Market Risk 8

 7.1 RWA Flow Statements of Market Risk Exposures under IMA 8

8 Liquidity Coverage Ratio Disclosures 9

 8.1 Liquidity Coverage Ratio 9

 8.2 Average Group All Currency LCR 10

 8.3 Average Group SGD Currency LCR 11

9 Abbreviations 12

1 Introduction

UOB Group's Pillar 3 Disclosure Report ("The Report") is prepared in accordance with the Monetary Authority of Singapore ("MAS") Notice to Banks No. 637 "Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore".

The Report is governed by the Group Pillar 3 Disclosure Policy which specifies the Group's Pillar 3 disclosure requirements, frequency of disclosure, medium of disclosure, and the roles and responsibilities of various parties involved in the disclosure reporting. The Policy is reviewed at least annually and approved by the Board.

The Report facilitates an assessment of the Group's capital adequacy and provides an overview of the Group's risk profile.

Pillar 3 Disclosure Report

2 Key Metrics

The table below provides an overview of the Group's key prudential metrics related to regulatory capital, leverage ratio and liquidity standards.

Components as at 30 September 2022

\$m	30 Sep 2022	30 Jun 2022	31 Mar 2022	31 Dec 2021	30 Sep 2021	
Available capital (amounts)¹						
1	CET1 capital	33,988	34,460	35,080	34,935	34,144
2	Tier 1 capital	36,768	36,840	37,460	37,314	36,524
3	Total capital	43,129	42,964	42,232	43,075	42,589
Risk weighted assets (amounts)¹						
4	Total RWA	265,961	262,695	267,550	259,067	252,810
Risk-based capital ratios as a percentage of RWA						
5	CET1 ratio (%)	12.8	13.1	13.1	13.5	13.5
6	Tier 1 ratio (%)	13.8	14.0	14.0	14.4	14.4
7	Total capital ratio (%)	16.2	16.4	15.8	16.6	16.8
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5	2.5	2.5	2.5	2.5
9	Countercyclical buffer requirement (%)	0.1	0.1	0.1	0.1	0.1
10	G-SIB and/or D-SIB additional requirement (%) ²	-	-	-	-	-
11	Total of CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.6	2.6	2.6	2.6	2.6
12	CET1 available after meeting the Reporting Bank's minimum capital requirements (%)	5.8	6.0	5.8	6.4	6.4
Leverage Ratio³						
13	Total Leverage Ratio exposure measure	573,637	558,189	539,273	517,243	512,305
14	Leverage Ratio (%) (row 2/ row 13)	6.4	6.6	6.9	7.2	7.1
Liquidity Coverage Ratio						
15	Total High Quality Liquid Assets	91,324	88,024	78,967	79,629	77,039
16	Total net cash outflow	64,549	62,688	61,097	59,911	55,952
17	Liquidity Coverage Ratio (%)	142	141	129	133	138
Net Stable Funding Ratio						
18	Total available stable funding	304,477	293,662	294,532	288,115	290,972
19	Total required stable funding	267,959	265,477	261,223	247,977	232,609
20	Net Stable Funding Ratio (%)	114	111	113	116	125

¹ The Group's CET1, Tier 1 and Total CAR as at 30 September 2022 were well above the regulatory minimum requirements. Compared with last quarter, total capital increased mainly from issuance of perpetual capital securities and higher eligible provisions, partially offset by lower fair value reserves. RWA grew quarter on quarter primarily on corporate loan growth. Higher capital year on year largely contributed by increased perpetual capital securities and Tier 2 subordinated notes with RWA growth from higher asset base.

² Even though the Group is not a G-SIB, it is required under MAS Notice 637 to disclose the G-SIB indicators. Please refer to www.UOBgroup.com/investor-relations/financial/index.html for the Group's G-SIB indicator disclosure.

³ As at 30 September 2022, the Group's leverage ratio was 6.4%, comfortably above the regulatory minimum requirement of 3%.

3 Leverage Ratio

The Basel III framework introduced Leverage Ratio as a non-risk-based backstop limit to supplement the risk-based capital requirements. It aims to constrain the build-up of excess leverage in the banking sector, with additional safeguards against model risk and measurement errors. Leverage ratio is expressed as Tier 1 Capital against Exposure Measure, which comprises on- and off-balance sheet items. Other than the difference in scope for consolidation and aggregation under SFRS and MAS Notice 637, there are no material differences between total balance sheet assets (net of on-balance sheet derivative and SFT assets) as reported in the financial statements and Exposure Measure of on-balance sheet items.

3.1 Leverage Ratio Summary Comparison Table

The following disclosure is presented in prescribed templates under MAS Notice 637 Annex 11F and 11G.

Reconciliation of Balance Sheet Assets to Exposure Measure⁴

\$m		30 Sep 2022
1	Total consolidated assets as per published financial statements	511,125
2	Adjustment for investments in entities that are consolidated for accounting purposes but are outside the regulatory scope of consolidation	(559)
3	Adjustment for fiduciary assets recognised on the balance sheet in accordance with the Accounting Standards but excluded from the calculation of the exposure measure	-
4	Adjustment for derivative transactions	3,808
5	Adjustment for SFTs	793
6	Adjustment for off-balance sheet items	63,279
7	Other adjustments	(4,809)
8	Exposure measure	573,637

⁴ Computed using quarter-end balances

3.2 Leverage Ratio Common Disclosure Template

Exposure Measure Components⁴

Exposure Measure Components ⁴		30 Sep 2022	30 Jun 2022
(\$m)			
Exposure measures of on-balance sheet items			
1	On-balance sheet items (excluding derivative transactions and SFTs, but including on-balance sheet collateral for derivative transactions or SFTs)	478,102	469,337
2	Asset amounts deducted in determining Tier 1 capital	(4,809)	(4,793)
3	Total exposure measures of on-balance sheet items (excluding derivative transactions and SFTs)	473,293	464,544
Derivative exposure measures			
4	Replacement cost associated with all derivative transactions (net of the eligible cash portion of variation margins)	14,953	9,528
5	Potential future exposure associated with all derivative transactions	7,710	7,614
6	Gross-up for derivative collaterals provided where deducted from the balance sheet assets in accordance with the Accounting Standards	-	-
7	Deductions of receivables for the cash portion of variation margins provided in derivative transactions	-	-
8	CCP leg of trade exposures excluded	-	-
9	Adjusted effective notional amount of written credit derivatives	84	83
10	Further adjustments in effective notional amounts and deductions from potential future exposures of written credit derivatives	-	-
11	Total derivative exposure measures	22,747	17,225
SFT exposure measures			
12	Gross SFT assets (with no recognition of accounting netting), after adjusting for sales accounting	13,525	11,793
13	Eligible netting of cash payables and cash receivables	-	-
14	SFT counterparty exposures	793	937
15	SFT exposure measures where a Reporting Bank acts as an agent in the SFTs	-	-
16	Total SFT exposure measures	14,318	12,730
Exposure measures of off-balance sheet items			
17	Off-balance sheet items at notional amount	260,682	256,281
18	Adjustments for calculation of exposure measures of off-balance sheet items	(197,403)	(192,591)
19	Total exposure measures of off-balance sheet items	63,279	63,690
Capital and Total exposures			
20	Tier 1 capital	36,768	36,840
21	Total exposures	573,637	558,189
Leverage ratio			
22	Leverage ratio	6.4%	6.6%

⁴ Computed using quarter-end balances

The Group's leverage ratio decreased 0.2% point quarter-on-quarter to 6.4% as at 30 September 2022 mainly driven by asset growth.

Pillar 3 Disclosure Report

4 Overview of RWA

The table below lists the Group's RWA by risk type and approach, as prescribed under MAS Notice 637. The minimum capital requirement is stated at 10.0% of RWA.

Total RWA was \$3.3 billion higher quarter-on-quarter mainly due to higher credit RWA from corporate loan growth.

\$m		(a)	(b)	(c)
		RWA		Minimum capital requirements
		As at 30 Sep 2022	As at 30 Jun 2022	As at 30 Sep 2022
1	Credit risk (excluding CCR)	220,807	219,527	22,081
2	<i>of which: Standardised Approach</i>	34,330	35,326	3,433
3	<i>of which: F-IRBA</i>	164,303	161,704	16,430
4	<i>of which: supervisory slotting approach</i>	5,268	5,330	527
5	<i>of which: A-IRBA</i>	16,906	17,167	1,691
6	CCR	7,095	5,988	709
7	<i>of which: SA-CCR</i>	5,331	4,725	533
8	<i>of which: CCR internal models method</i>	-	-	-
9	<i>of which: other CCR</i>	1,032	719	103
9a	<i>of which: CCP</i>	732	544	73
10	CVA	2,544	2,225	254
11	Equity exposures under the simple risk weight method	-	-	-
11a	Equity exposures under the IMM	-	-	-
12	Equity investments in funds - look through approach	8	8	1
13	Equity investments in funds - mandate-based approach	3,888	3,757	389
14	Equity investments in funds - fall back approach	#	#	#
14a	Equity investment in funds - partial use of an approach	-	-	-
15	Unsettled transactions	-	-	-
16	Securitisation exposures in the banking book	396	432	40
17	<i>of which: SEC-IRBA</i>	-	-	-
18	<i>of which: SEC-ERBA, including IAA</i>	298	334	30
19	<i>of which: SEC-SA</i>	98	98	10
20	Market risk	10,393	10,066	1,039
21	<i>of which: SA(MR)</i>	10,393	10,066	1,039
22	<i>of which: IMA</i>	-	-	-
23	Operational risk	16,652	16,514	1,665
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	4,178	4,178	418
25	Floor adjustment	-	-	-
26	Total	265,961	262,695	26,596

5 Credit Risk

5.1 IRBA - RWA Flow Statement for Credit Risk Exposures

The following table presents changes in RWA corresponding to credit risk only (excluding CCR) over the quarterly reporting period for each of the key drivers.

Compared to June 2022, the increase in Group's RWA was mainly due to loan growth.

As at 30 September 2022

\$m		(a)
		RWA amounts
1	RWA as at end of previous quarter	184,201
2	Asset size	2,418
3	Asset quality	(144)
4	Model updates	(3)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	5
8	Other	-
9	RWA as at end of quarter	186,477

6 Counterparty Credit Risk (CCR)

6.1 RWA flow statements under CCR internal models method

UOB does not use CCR Internal Models Method.

7 Market Risk

7.1 RWA Flow Statements of Market Risk Exposures under IMA

This disclosure is not applicable as the Group has not adopted IMA for market risk regulatory capital requirements.

8 Liquidity Coverage Ratio Disclosures

8.1 Liquidity Coverage Ratio

The Liquidity Coverage Ratio (“LCR”) ensures that a Bank has sufficient unencumbered high quality liquid assets (“HQLA”) to survive a significant stress scenario for the next 30 days. The Group’s LCR disclosure is as per MAS Notice 651 “Liquidity Coverage Ratio Disclosure”.

Quarterly average All Currency LCR and Singapore Dollar LCR of 142% and 252% respectively were comfortably above the regulatory requirements of 100%. Compared to 2Q2022, increase in All Currency LCR was mainly due to higher HQLA, partially offset by increase in net cash outflows. Decrease in SGD Currency LCR was mainly due to increase in net cash outflows, partially offset by increase in HQLA. The main drivers of LCR are the net cumulative outflow driven mainly by deposit profile and the portfolio of high-quality liquid asset which would cause some volatility on a day-to-day basis.

The Group’s HQLA composition comprised largely Level 1 HQLA which include balances with central bank and sovereign bonds etc and the remaining in Level 2A and 2B HQLA. Deposit strategies are regularly discussed in Group ALCO with monitoring on deposit concentration and currency mismatch etc. The Group’s exposures to derivatives and potential collateral calls were incorporated into the LCR outflows.

Daily liquidity management is centrally managed under Global Markets-Portfolio & Liquidity Management with regular discussion with Central Treasury and relevant Business Units. Liquidity limits and triggers were established to limit the Group’s liquidity exposure. Balance Sheet Risk Management oversees the liquidity risk management in the Group. Contingency funding plans are in place to identify potential liquidity crisis using a series of early warning indicators as well as crisis escalation process and related funding strategies.

Please refer to:

- UOB Annual Report 2021, Risk Management section - Liquidity Risk for governance of liquidity risk management, funding strategy and liquidity risk mitigation techniques.
- UOB Annual Report 2021, Note 45 Financial Risk Management section for Balance sheet and off-balance sheet items broken down into maturity buckets and resultant liquidity gaps.

8.2 Average Group All Currency LCR

For the quarter ended 30 September 2022

92 calendar days' data points were used in calculating the average figures.

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		91,324
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	147,859	12,695
3	Stable deposits	38,430	1,922
4	Less stable deposits	109,428	10,773
5	Unsecured wholesale funding, of which:	143,495	73,117
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	35,094	8,465
7	Non-operational deposits (all counterparties)	101,041	57,292
8	Unsecured debt	7,360	7,360
9	Secured wholesale funding		532
10	Additional requirements, of which:	51,228	13,593
11	Outflows related to derivative exposures and other collateral requirements	7,173	6,733
12	Outflows related to loss of funding on debt products	217	217
13	Credit and liquidity facilities	43,838	6,643
14	Other contractual funding obligations	5,037	5,037
15	Other contingent funding obligations	13,721	861
16	TOTAL CASH OUTFLOWS		105,834
CASH INFLOWS			
17	Secured lending (eg reverse repos)	9,012	3,163
18	Inflows from fully performing exposures	48,429	29,255
19	Other cash inflows	9,414	8,867
20	TOTAL CASH INFLOWS	66,855	41,285
			Total Adjusted Value
21	TOTAL HQLA		91,324
22	TOTAL NET CASH OUTFLOWS		64,549
23	LIQUIDITY COVERAGE RATIO (%)		142

8.3 Average Group SGD Currency LCR

For the quarter ended 30 September 2022

92 calendar days' data points were used in calculating the average figures.

\$m		Total Unweighted Value Average	Total Weighted Value Average
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		43,466
CASH OUTFLOWS			
2	Retail deposits and deposits from small business customers, of which:	105,419	8,773
3	Stable deposits	35,368	1,768
4	Less stable deposits	70,051	7,005
5	Unsecured wholesale funding, of which:	35,164	14,244
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	12,735	2,987
7	Non-operational deposits (all counterparties)	22,332	11,161
8	Unsecured debt	97	97
9	Secured wholesale funding		-
10	Additional requirements, of which:	25,608	10,971
11	Outflows related to derivative exposures and other collateral requirements	9,656	9,230
12	Outflows related to loss of funding on debt products	-	-
13	Credit and liquidity facilities	15,952	1,741
14	Other contractual funding obligations	1,553	1,553
15	Other contingent funding obligations	121	83
16	TOTAL CASH OUTFLOWS		35,625
CASH INFLOWS			
17	Secured lending (eg reverse repos)	442	1
18	Inflows from fully performing exposures	12,228	6,439
19	Other cash inflows	12,139	11,897
20	TOTAL CASH INFLOWS	24,809	18,336
			Total Adjusted Value
21	TOTAL HQLA		43,466
22	TOTAL NET CASH OUTFLOWS		17,288
23	LIQUIDITY COVERAGE RATIO (%)		252

9 Abbreviations

The following abbreviated terms are used throughout this document.

A		S	
A-IRBA	Advanced Internal Ratings-Based Approach	SA(MR)	Standardised Approach to Market Risk
ALCO	Asset and Liability Committee	SEC-IRBA	Securitisation Internal Ratings-Based Approach
C		SEC-ERBA	Securitisation External Ratings-Based Approach
CAR	Capital Adequacy Ratio	SEC-SA	Securitisation Standardised Approach
CCP	Central Counterparty	SFRS	Singapore Financial Reporting Standards
CCR	Counterparty Credit Risk	SFTs	Securities Financing Transactions
CET1	Common Equity Tier 1		
CVA	Credit Valuation Adjustment		
D			
D-SIB	Domestic Systemically Important Bank		
F			
F-IRBA	Foundation Internal Ratings-Based Approach		
G			
G-SIB	Global Systemically Important Bank		
I			
IAA	Internal Assessment Approach		
IMA	Internal Models Approach		
IMM	Internal Models Method		
IRBA	Internal Ratings-Based Approach		
R			
RWA	Risk-Weighted Assets		